

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) of Atrium REIT Managers Sdn Bhd, the Manager (“the Manager”) of Atrium Real Estate Investment Trust (“Atrium REIT”) is committed to maintain comprehensive and effective risk management and internal control system, in order to assess and review the adequacy and effectiveness of the system. The Board recognises that the system is designed to manage the calculated and expected risks rather than eliminate the risks of not adhering to the Manager’s policies and business objectives within the risk tolerance established by the Board and the Manager. Therefore, the system provides reasonable but not absolute assurance against the occurrence of any material misstatement, loss, fraud or breaches of laws and rules.





The Board has outsourced the review of the Manager’s internal control and risk management processes to an independent internal audit firm (“Internal Auditors”) which reports the results of the internal audit to the Audit Committee (“AC”) for reviews and deliberations.

The AC will present the Manager’s internal control and risk-related matters to the Board for its notation or for its deliberation and approval, if necessary.

### INTERNAL CONTROL

The Board acknowledges that it has a responsibility to ensure that the internal control is comprehensive and effective in order to meet the business objectives of the Manager. The business objectives, amongst others, is to manage Atrium REIT by achieving its mission, i.e., to maximise income in order to reward unitholders with a reasonable rate of return for their investments through regular and stable distributions and, achieving long-term growth in its income distributions and Net Asset Value per unit.

The key features of the Internal Control System established by the Manager are as follows:

			
<p><b>Organisation Structure and Authorisation Procedures</b></p> <p>The Manager maintains a formal organisation structure with delegation of responsibilities and accountability within the Manager’s Senior Management and staff.</p> <p>It sets out the roles and responsibilities, authority limits, review and approval procedures for the Manager’s various operations.</p>	<p><b>Policies and Procedures</b></p> <p>The Manager establishes documented policies and procedures to ensure consistency and practicality in maintaining the efficiency and effectiveness of the business activities of the Manager and Atrium REIT at all times.</p> <p>The Manager strives to ensure all business processes are formalized and approved by Senior Management. Such processes are in line with the best governance practices that are designed to mitigate potential business risks by implementing an effective internal control system.</p>	<p><b>Financial and Operational Review</b></p> <p>Board meetings are held on a regular basis to discuss and review the business planning, budgeting, financial, operational performances and progression of projects.</p> <p>The quarterly financial statements of the Manager and Atrium REIT containing key financial results, operational performance results and comparisons of performance against budget are presented to the Audit Committee for review and deliberation, and to the Board for approval.</p>	<p><b>Business Planning and Budgeting Review</b></p> <p>The Board discusses and reviews the business plan, strategies, performance and challenges faced by the Manager and Atrium REIT on a quarterly basis, or as an when it is deemed necessary.</p>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT

The Board has established a risk management framework for identifying, assessing, monitoring and reporting of risks. The responsibilities of the Board include reviewing the risk management framework and ensure that the risks are managed and mitigated within the tolerable limits set. The Board has delegated its role in the review process to the AC.

Responsibility of the Manager include identifying and assessing the risks that are relevant to Atrium REIT, and achieving its objectives and strategies within the risk tolerance established by the Board and the Manager.

The AC reviews the effectiveness of the risk management framework annually and ensure that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from the review. In assessing business risks, the AC also considers the economic, environment and social impact, taking in consideration both financially and non-financially relating to the property investment industry.

The application of the risk management process is based on the general principles of an internationally recognised risk management framework. Based on the key risks identified, measures and actions are identified and executed to minimize the possibility and impact of these risks.

The Risk Management process adopted by the Manager is as follows:



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(CONT'D)

**RISK MANAGEMENT (CONT'D)**

The Manager has identified potential risks which are pertaining to REIT and its investment properties. The AC has assessed and reviewed these risks at least annually, to ensure that it is managed on a timely basis. These risks and its mitigating factors can be summarised as follow:

Ref	Risk	Mitigating Factors
1.	Capital and Liquidity Risk	<ul style="list-style-type: none"> <li>To monitor and manage cash flows on a timely manner.</li> <li>To keep abreast of financial updates on financing rates and requirements.</li> <li>To review loan covenants to ensure continuous compliance.</li> <li>To maintain good bankers and investors relationship.</li> </ul>
2.	Credit Risk	<ul style="list-style-type: none"> <li>To implement credit control measures such as close follow-up on rental arrears with tenants and maintaining good tenant relations to ensure timely rental collections.</li> <li>To perform due diligence to assess the prospect/tenants' ability to meet the rental payments prior to commencing the tenancies.</li> <li>To maintain a policy of collecting security deposits from all tenants which act as collateral.</li> </ul>
3.	Acquisition and Investment Risk	<ul style="list-style-type: none"> <li>To evaluate potential acquisitions against the approved investment criteria.</li> <li>To conduct due comprehensive diligence exercise prior to any acquisition.</li> </ul>
4.	Valuation Risk	<ul style="list-style-type: none"> <li>To use investment approach and cost and comparison approach for checking and reference purposes.</li> <li>To ensure that the valuation of properties is sustainable so that the Trust's asset value, profitability and gearing will not be affected.</li> <li>To build strong relationship with tenants and increase tenant mix.</li> </ul>
5.	Market Risk	<ul style="list-style-type: none"> <li>To upgrade service level and property facilities to meet tenants' requirements.</li> </ul>
6.	Climate-related Risk	<p>Due to effects of climate change that may affect our properties, the Manager has worked closely with the Property Manager and tenants to implement the following mitigating measures to prevent or minimise damages caused by flash flood:</p> <ul style="list-style-type: none"> <li>To build wall above possible flood level, or raise parameter wall level to an acceptable height to prevent/ delay flash flood.</li> <li>To monitor weather forecast and pre-amp tenants for flood prevention.</li> <li>To ensure the drainage surrounding the premises are clear at all times. Tenants to inform the local authority if the drains were clogged.</li> <li>To encourage tenant to insure their assets/ goods to minimise damages.</li> <li>To increase sum insured and coverage on insurance pertaining to flood/ natural disaster.</li> </ul>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT (CONT'D)

Ref	Risk	Mitigating Factors
7.	Operation Risk	<ul style="list-style-type: none"> <li>• To monitor the condition of the building structure, mechanical and electrical installation and fire-fighting system with the assistance from property manager periodically through half-yearly inspection,</li> <li>• To make sure tenant performs proper planned maintenance,</li> <li>• To make provision for sinking funds for maintenance and replacement of mechanical and electrical installation due to normal wear and tear.</li> </ul>
8.	Delay in Handover of Vacant Possession	<p>The Manager has undertaken the following mitigating factors to ensure all Asset Enhancement Initiatives will be completed on time:</p> <ul style="list-style-type: none"> <li>• To carry out due diligence on the contractors to be appointed to ensure that they are competent and capable of undertaking the work awarded,</li> <li>• To monitor the progress of the project closely to ensure that the work progress is on schedule,</li> <li>• To minimise the change in design unless critical ,</li> <li>• To trouble shoot if there is any foreseeable delay on certain work done by seeking advices from the appointed consultants accordingly, and</li> <li>• To schedule and agree the date of vacant possession with tenant that is feasible and to omit Liquidated Ascertained Damages (“LAD”) clauses in tenancy agreement, if possible.</li> </ul>
9.	Regulatory and Compliance Risk	<ul style="list-style-type: none"> <li>• To keep abreast of new development on listing rules and requirements set by the statutory bodies, regulators and any other pertinent requirements that need to be complied.</li> </ul>
10.	Cyber Risk	<p>Due to recent rise in cyber risk on scamming cases around the nation, the Manager has implemented back up process on important files and documentation in order to ensure such items are safeguarded and protected at all times. Also, the employees are informed on safety tips on email phishing at least once a year, or as and when it is deemed necessary.</p> <p>The Manager has undertaken the following measures:</p> <ol style="list-style-type: none"> <li>1. To increase size of the local server,</li> <li>2. To attend cyber security awareness courses,</li> <li>3. To ensure the outsourced IT service providers are competent to safeguard and protect all information and documents at all times.</li> <li>4. To implement tight security measures, including password, firewalls and anti-virus software.</li> <li>5. To educate employee on anti-phishing safety tips on electronic mail (“email”) transmissions.</li> </ol> <p>In view of the recent listing requirements and recommended practices proposed by Securities Commission (“SC”) and Bursa, the Manager is going to implement Technology Risk Management Framework by reference to the Guidance Note on Management of Cyber Incidents issued by SC on 17 November 2022.</p>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT (CONT'D)

Ref	Risk	Mitigating Factors
11.	Bribery and Corruption	<ul style="list-style-type: none"> <li>• To ensure continuous awareness of the Anti-bribery and Corruption Policy by posting the policy on the Company's website for all employees and business associates,</li> <li>• To conduct a systematic review on the implementation of the Adequate Procedures once in every two (2) years.</li> </ul>

### INTERNAL AUDIT FUNCTION

The main objective of the internal audit is to assess the adequacy and effectiveness of the Manager's internal control system and risk management framework. The internal audit plan is reviewed and approved annually by the AC, taking into consideration of the current business operations and its potential risk environment as well as feedback from the Manager. The internal audit findings of the Internal Auditors together with its recommendations and the Manager's action plans will be deliberated on during AC meetings. The recommendations proposed by the Internal Auditors once approved by the AC, will be implemented accordingly by the Manager. Subsequently, the Board will be updated on the findings and recommendations of the internal audit review of the Manager's internal control system and risk management framework.

The costs of the internal audit function which was outsourced to Sterling Business Alignment Consulting Sdn Bhd amounted to RM16,500, excluding Services Tax and disbursements (2021: RM15,000, excluding Services Tax and disbursements).

The scope of the internal audit function for FY2022 comprised the following compliance reviews:

- a) Operational Management; and
- b) Finance and Accounts.

Based on the internal audit assessment conducted by the Internal Auditors, the internal control system was adequate and satisfactory, and the Internal Auditors has not detected any significant control weaknesses, non-compliances and/or fraudulent activities.

### CONCLUSION

The Board is of the view that the Manager's system of internal control and risk management for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard Atrium REIT's assets, as well as Unitholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The Board has received assurance from Chief Executive Officer and Chief Financial Officer that, to the best of their knowledge, the Manager's system of internal control and risk management are operating adequately and effectively, in all material aspects based on the framework adopted by the Manager, in relation to managing the operations of Atrium REIT.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### REVIEWED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors, BDO PLT have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of Atrium REIT for the financial year ended 31 December 2022. Their review was conducted in accordance with Assurance Practice Guide 3 (“AAPG 3”) Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants (Revised November 2022).

AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of Atrium REIT’s risk management and internal control system. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 20 February 2023.